

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL**

**FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL**

DATE: APRIL 26, 2013

**SUBJECT: ELECTRIC SERVICE AGREEMENT BETWEEN AVISTA
CORPORATION AND CLEARWATER PAPER CORPORATION, CASE
NO. AVU-E-13-02**

On April 15, 2013, Avista Corporation (“Avista” or “Company”) and Clearwater Paper Corporation (“Clearwater”), collectively referred to as the “Parties,” filed a Joint Petition, including exhibits, seeking the Commission’s approval of their new Electric Service Agreement (“ESA”). The Parties current ESA, approved by the Commission in IPUC Case No. AVU-E-03-07, Order No. 29418, began on January 15, 2004 and is set to expire on June 30, 2013.

Clearwater is a corporation operating a paper manufacturing facility located in Nez Perce County, Idaho (the “Facility”). Clearwater owns and operates a generation system at the Facility that is capable of generating approximately 132.2 megawatts of energy (hereinafter “Generation”).

THE AGREEMENT

The Parties new ESA is for a five-year term beginning on July 1, 2013. The ESA provides for the sale of energy to serve Clearwater’s load at the Facility and addresses Clearwater’s generation. The following is a synopsis of the essential terms of the Parties’ new ESA:

1. The ESA will continue after the initial term on a year-to-year basis unless either Party elects to terminate it with 90 days prior written notice to the other Party;
2. The ESA is conditioned upon approval by the Commission of the ESA as a settlement of all known existing disputes between the Parties, without

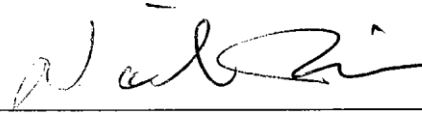
precedential value and without prejudice to the Parties' positions on similar issues in the future;

3. Clearwater's Generation shall be metered, consistent with Paragraphs 4(B)(ii) and 5 of Schedule 63 of Avista's Idaho Tariff, such that Clearwater shall use the Generation to serve its load at the Facility;
4. Clearwater shall purchase and receive from Avista all of the electric power requirements at the Facility that exceed the electric power generated by Clearwater's Generation. Avista will continue to serve Clearwater's additional power requirements under Avista's "Extra Large General Service To Clearwater Paper's Facility" Schedule 25P rates, including all applicable rate adjustments, unless the Commission issues an order in the future authorizing different billing rates;
5. The Parties agree that all energy (kWh) consumption under the terms of this ESA will be billed at Schedule 25P rates. For purposes of capacity/demand ("kVA"), all kVA billed above 55,000 kVA ("2nd Demand Block") will be billed at an initial rate of \$2.00 per kVA. The first 3,000 kVA will continue to be covered under a monthly flat rate (currently \$12,500 per month), and the next 52,000 kVA ("1st Demand Block") will be billed at the current volumetric demand rate (currently \$4.50 per kVA);
6. If Clearwater generates electric power in excess of the electric power requirements of the Facility, Clearwater will be credited for the excess kWhs generated during the billing period in a manner consistent with Paragraphs 4(B)(ii) and 5 of Schedule 63 of Avista's Idaho Tariff;
7. Clearwater is permitted, after 90 days written notice to Avista of its intent to terminate the ESA, to sell the output of the Generation to any third party. Clearwater would be responsible for making all necessary arrangements to facilitate the sale of the output of the Generation to any third party. Once Clearwater begins selling the Generation to a third party, the 2nd Demand Block would no longer be applicable and all kVA above 3,000 would be billed at the 1st Demand Block rate.

The Parties propose that the change in revenues and expenses associated with the new ESA, as compared with the revenues and expenses included in the last rate case for Clearwater, be tracked through the PCA at 100%. The Parties request that the Commission direct Avista to file a revised Schedule 25P tariff substantially similar to Exhibit B included in the ESA filing. The Parties request that the Commission process their Joint Petition under the rules providing for Modified Procedure.

COMMISSION DECISION

Does the Commission wish to process Avista and Clearwater's Join Petition for approval of their ESA through Modified Procedure with a June 14, 2013 comment deadline?

A handwritten signature in black ink, appearing to read 'Neil Price', is written above a horizontal line.

Neil Price
Deputy Attorney General

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